Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

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PAGE 01 PRAGUE 00309 061328Z

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ACTION EUR-12

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COMMERCE FOR BEWT/TDAD (LUCYK)

E.O. 11652: N/A
TAGS: BEXP, EIND, ENRG, CZ
SUBJECT: MAJOR TRADE OPPORTUNITY:PREHEATING PROCESS FOR PRODUCTION OF COKING COAL

1. BEGIN SUMMARY: CZECHOSLOVAKS REMAIN ACTIVELY INTERESTED IN ALLIED CHEMICAL'S COALTEK PROCESS FOR PREHEATING COKING COAL AND WERE VERY PLEASED WITH TRIP ARRANGED TO COALTEK INSTALLATIONS IN U.S. LAST MAY. DECISION ON WHICH OF FOUR COMPETING PROCESSES WILL BE SELECTED FOR INSTALLATION IN NEW COKING COAL PLANT
TO BE CONSTRUCTED LATE IN CURRENT FYP PERIOD WILL BE MADE IN FALL OF THIS YEAR. BEFORE THEN CZECHS WOULD LIKE TO SEND ONE MORE SMALL DELEGATION TO VISIT NEW COALTEK INSTALLATION IN SWEDEN LED BY ING. JAROSLAV LIMBERG, DIRECTOR OF HUTNI PROJEKT. EMBASSY REQUESTS COMMERCE APPRISE COALTEK OF THIS PROPOSAL AND LATEST DEVELOPMENTS AS DESCRIBED HEREIN. END SUMMARY.

2. EMBOFF MET WITH INGS. KUCERA AND KAREL KOLARIK, METALLURGICAL SECTION, FEDERAL MINISTRY OF METALLURGY AND HEAVY ENGINEERING (FMMHE), TO DISCUSS MINISTRY'S CURRENT THINKING ON PROPOSAL MADE BY ALLIED CHEMICALS COALTEK ASSOCIATES DURING VISIT OF SIX CZECHOSLOVAK INDUSTRY REPRESENTATIVES TO U.S. DURING LATE MAY, 1975. (WE HAD REQUESTED MEETING WITH LEADER OF THAT DELEGATION, ING. JAROSLAV LIMBERG, DIRECTOR, HUTNI PROJEKT, BUT
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PAGE 02 PRAGUE 00309 061328Z

UNFORTUNATELY, LIMBERG WAS DOWN WITH FLU.)

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

3. MINISTRY OFFICIALS SAID THAT FINAL DECISION AS TO WHICH OF FOUR PREHEATING PROCESSES FOR PRODUCTION OF COKING COAL NOW UNDER CONSIDERATION WOULD BE INSTALLED AT PROPOSED NEW COKING COAL PLANT TO BE CONSTRUCTED BY OSTRAVA-KARVINA MINING TRUST NEAR END OF CURRENT FIVE-YEAR PLAN (1976-1980) HAD BEEN PUT OFF UNTIL FALL OF 1976. FOUR PROCESSES INVOLVED IN BIDDING ARE SIMON CARVES (UK), A WEST GERMAN PROCESS, A DOMESTIC CZECHOSLOVAK PROCESS, AND ALLIED CHEMICAL'S COALTEK TECHNOLOGY. WITHOUT REVEALING FMMHE POSITION, MINISTRY OFFICIALS SAID FACT THAT THERE WERE FOUR COMPETITORS FOR JOB SHOULD NOT DISCOURAGE COALTEK, SINCE IT WAS NOW STANDARD PRACTICE IN CZECHOSLOVAKIA TO REQUIRE AT LEAST THREE FOREIGN BIDS ON EVERY MAJOR INDUSTRIAL PROJECT.

4. WHEN QUERIED ON RESULTS TRIP TO U.S. LAST MAY, MINISTRY OFFICIALS CONFIRMED WHAT EMBOFF HAD HEARD EARLIER FROM ING. LIMBERG HIMSELF THAT DELEGATION HAD BEEN COMPLETELY SATISFIED WITH "PERFECTLY ORGANIZED" TRIP WHICH RESULTED IN CLOSE INSPECTION OF FOUR COALTEK PREHEATING SYSTEMS. GROUP CAME AWAY WITH OPINION THAT COALTEK SYSTEM WAS ADVANTAGEOUS FOR U.S. COKING COAL PLANTS PRINCIPALLY BECAUSE THESE PLANTS WERE LOCATED NEXT TO MINES, WHICH REDUCED COSTS CONSIDERABLY. FMMHE OFFICIALS NOTED THAT IN ENGLAND, WHERE COKE IS STILL PRODUCED FROM HIGH PIALITY COAL, THE OLD SYSTEM OF COKING COAL PRODUCTION CAN BE USED ECONOMICALLY; AND SAME SITUATION OBTAINED IN CZECHOSLOVAKIA AS WELL. FMMHE AND HUTNI PROJEKT EXPERTS WERDZNEVERTHELESS ACTIVELY STUDYING ADVANTAGES OF COALTEK PROCESS FOR INSTALLATION PZ NEW COKING PLANTS IN CZECHOSLOVAKIA. SYSTEM WAS ALSO BEING STUDIED FOR POSSIBLE INSTALLATION IN OLD COKING COAL PLANTS WHICH WERE SLATED FOR MODERNIZATION. MOST IMPRESSIVE TO VISITING EXPERTS (OF WHOM ING. KOLARIK WAS ONE) WAS FACT THAT CONSIDERABLY LESS PEOPLE WERE REQUIRED TO OPERATE PLWZT EQUIPPED WITH COALTEK PROCESS, PARTICULARLY IN AREA OF MANAGEMENT. FMMHE OFFICIALS NOTED THAT U.S. PRACTICE OF LOCATING ADMINISTRATIVE OFFICES DIRECTLY IN AREA OF COKING PLANT, APPARENTLY NOT NOW DONE IN CZECHOSLOVAKIA, WAS DEFINITE PLUSKN CONSIDERATION OF NEW COALTEK SYSTEM.

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5. FMMHENMFICIALS SAID THERE EXISTED IN SWEDEN A PREHEATING SYSTEM WHICH HAD BEEN INSTALLED IN LULEA AT NORBUTTENS JARNVERR A.B. BY KOPPERS UNDER COALTEK LICENSE AND THAT THIS SYSTEM CORRESPONDED ALMOST EXACTLY TO WHAT CZECHOSLOVAKS HOPED TO INSTALL AT NHKG STEELWORKS AT KUNCICE. QUOTING FROM THICK INTERNAL STUDY -- WHICH EMBOFF WAS NOT ABLE TO INSPECT BUT COULD SEE REFERRED TO COALTEK PROCESS LIBERALLY -- OFFICIALS GAVE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

PARAMETERS OF NORBUTTENS INSTALLATION AS HAVING PREHEATING
CAPACITY OF 76 METRIC TONS PER HOUR, AND STANDING SEVEN
METERS HIGH. OFFICIALS SAID THAT SWEDISH UNIT HAD BEEN
PLACED IN OPERATION SOMETIME LATE IN 1975, AND THAT IT WOULD
BE ADVATAGEOUS TO COALTEK IF A SMALL (NOT EXCEEDING THREE)
GROUP OF EXPERTS COULD TRAVEL TO LULEA TO INSPECT OPERATION
OF NEW PLANT. THIS WOULD BE PARTICULARLY USEFUL IN VIEW OF
FACT THAT TECHNICAL SEMINAR AMONG TOP METALLURGICAL OFFICIALS
WAS TO BE HELD IN LATE SPRING AT FRYDEK-MISTEK WHERE
EXCHANGE OF VIEWS BETWEEN ALL INTERESTED
PARTIES WOULD TAKE PLACE BEFORE FINAL DECISION IS REACHED IN FALL.

6. FMMHE OFFICIALS WONDERED WHETHER D.G. MARTING,
PRESIDENT OF COALTEK ASSOCIATES, MIGHT NOT BE OF SOME
ASSISTANCE TO THEM IN ARRANGING VISIT TO NORBUTTENS' PLANT.
ALTHOUGH THEY DID NOT ALLUDE DIRECTLY TO DIFFICULTIES APPARENTLY
EXPERIENCED IN TRYING TO ARRANGE THIS VISIT DIRECTLY THROUGH
SWEDISH FIRM, NORBUTTENS, IT BECAME CLEAR DURING DISCUSSION
THAT SWEDES HAD BEEN RELUCTANT TO SHOW THEM NEW COALTEK/
KOPPERS INSTALLATION. OFFICIALS SUGGESTED PERIOD APRIL 7-14
AS BEST TIME FOR PROPOSED INSPECTION VISIT.

7 ACTION REQUESTED: WHILE EMBASSY CANNOT ACCURATELY
ESTIMATE COALTEK'S CHANCES IN BIDDING FOR THIS MAJOR INDUSTRIAL
PROJECT, WE DO RECOMMEND THAT BEWT/TDAD INFORM MARTING
OF THIS LATEST DEVELOPMENT AND SOUND HIM OUT ON FMMHE
PROPOSAL, PARA 6. IT WOULD SEEM A PROPITIOUS TIME FOR
COALTEK TO MAKE ONE LAST MAJOR EFFORT TO NAIL DOWN ADVANTAGES
OF ITS PROCESS OVER COMPETITION BEFORE FINAL TECHNICAL
RECOMMENDATIONS GO FORWARD TO DECISION MAKERS SOMETIME
BETWEEN LATE SPRING AND EARLY FALL. INCIDENTALLY, FMMHE
OFFICIALS SAID THAT IF APPROVAL FOR NORBUTTENS VISIT COULD BE
ARRANGED WITH MARTING'S HELP, DELEGATION WOULD BE LED BY
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ING. LIMBERG, WITH ING. KOLARIK AND ONE OTHER
METALLURGICAL TECHNICIAN (TO ACT AS INTERPRETER) AS
MEMBERS. THUS, ALTHOUGH PROPOSAL MAY AT FIRST BLUSH
STRIKE COALTEK AS AN UNNECESSARY JUNKET IN VIEW OF ALL
THEY HAVE DONE THUS FAR, ING. LIMBERG'S PRESENCE SHOULD
ASSURE SERIOUS INTENT OF VISIT. EXPENSES WERE NOT
DISCUSSED, BUT FROM CONVERSATION CZECHS APPEARED MORE
CONCERNED ABOUT GAINING PERMISSION TO VISIT INSTALLATION THAN
WHO WOULD FOOT BILLS.
PERRY

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

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Margaret P. Grafeld
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